

NEW APPLICATION

TELECOM



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Judith A. Riley, J.D.

PROFESSIONALS, INC.

2002 DEC -9 4:11:00 Lakeside Drive, Suite 100
Oklahoma City, OK 73120

Arizona Corporation Commission

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AZ CORP COMMISSION
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DEC 09 2002

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November 16, 2002

T-03228A-02-0894

T-03664A-02-0894

Arizona Corporation Commission
Docket Center
1200 W. Washington Street
Phoenix, AZ 85007

Re: Joint Application of Matrix Telecom, Inc. and International Exchange Communications, Inc. For Approval of the Transfer of Certain Assets and Related Transactions and a Waiver of Applicable Anti-Slamming Regulations

Enclosed please find an original and ten (10) copies of the above described Application.

Please acknowledge receipt of this filing by file stamping the extra copy of the first page of the Application and returning it in the self-addressed stamped envelope provided for this purpose.

If you have any questions or need anything further, please contact me.

Sincerely,

Judith A. Riley

Enclosures

BEFORE THE
CORPORATION COMMISSION
OF THE STATE OF ARIZONA

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AZ CORP COMMISSION
DOCUMENT CONTROL

Joint Application of)
Matrix Telecom, Inc. and International)
Exchange Communications, Inc.)
for Approval of the Transfer of Certain)
Assets and Related Transactions and)
a Waiver of Applicable Anti-Slamming)
Regulations.)

Docket No. _____

JOINT APPLICATION

Comes now Matrix Telecom, Inc., (hereinafter referred to as "Matrix" or "Buyer") and International Exchange Communications, Inc., (hereinafter referred to as "IECom" or "Seller"), (together the "Applicants"), by their undersigned regulatory counsel and moves for approval of the Arizona Corporation Commission (hereinafter referred to as the "Commission") of a proposed transfer of certain assets held by Seller to Buyer and related transactions and a waiver of applicable anti-slamming regulations.

In support of this Application, Applicants state the following:

I. THE PARTIES.

A. Matrix Telecom, Inc.

Matrix is a corporation organized under the laws of the State of Texas with its principal offices located at 300 N. Meridian, Oklahoma City, OK 73107. Matrix is a provider of intrastate interexchange telecommunications services in Arizona. Matrix was granted a certificate of public convenience and necessity by the Commission and its tariff was subsequently approved. Matrix has provided services in Arizona since that time. Matrix is certified as a telecommunications reseller in the 48 contiguous states where required. Matrix also provides interstate and international

telecommunications services pursuant to the authorities granted to it by the Federal Communications Commission.

B. International Exchange Communications, Inc.

IECom is a corporation organized under the laws of the State of Delaware with its principal offices located at 500 Airport Blvd., Suite 340, Burlingame, CA 94010. IECom is a provider of intrastate interexchange telecommunications services in Arizona. IECom was granted a certificate of public convenience and necessity by the Commission and its tariff was subsequently approved. IECom has provided services in Arizona since that time. IECom holds an array of state and federal regulatory licenses that are necessary to operate its business throughout the United States.

II. REQUEST FOR APPROVAL OF THE TRANSFER OF CERTAIN ASSETS AND RELATED TRANSACTIONS AND OF A WAIVER OF APPLICABLE ANTI-SLAMMING REGULATIONS.

On December 29, 2000, IECom entered into a Management Services Agreement ("MSA") with Matrix Telecom, Inc., pursuant to which Matrix has been providing telecommunication services to IECom's customer base under IECom's supervision. The MSA reflected, among other things, that IECom and Matrix desired to negotiate and enter into an Asset Purchase Agreement under which Matrix would buy the Assets they were to manage pursuant to said MSA. On January 4, 2001, IECom filed a voluntary petition under chapter 11 of the Bankruptcy Code in the United States Bankruptcy Court, Northern District of California, San Francisco Division. As of the bankruptcy petition date, IECom ceased operations. Since the petition date, IECom has been attempting to liquidate its assets in an orderly fashion in order to maximize the value of those assets. However, Matrix and IECom have been unable to agree upon the terms of an Asset Purchase Agreement under which Matrix would buy the Assets identified in the MSA. At various times throughout the pendency of IECom's chapter 11 case, representatives of IECom and Matrix have engaged in negotiations to reach a resolution of their disagreements. These settlement negotiations have been conducted at arms' length and in good faith by IECom and Matrix, and have resulted in the Settlement Agreement which is attached as an Exhibit to the Motion For

Approval of Settlement Agreement filed with the Bankruptcy Court on October 17, 2002 found in Attachment "A" hereto. Pursuant to the terms of the Settlement Agreement, Matrix will pay IECOM \$600,000, IECOM will transfer to Matrix the assets listed in Exhibits A and B of the MSA, also attached as Exhibits to the Motion and as Attachment "B" hereto, and both Matrix and IECOM will waive all claims against each other.

The Applicants herein request that the Commission approve the transfer of said assets from Seller to Buyer. Said transfer is in the best interest of the customers being served and will not in any way disrupt service nor cause inconvenience or confusion to the customers of IECOM. As one of the assets being transferred is the perpetual right to use IECOM's name, logos, trade or service marks, etc., which have been associated with the customer base, and Matrix intends to continue to service these customers using the IECOM name, the transfer will in fact be transparent to the customers of IECOM. Further, these customers are currently being billed by their LECs for the services being provided by IECOM. These billing arrangements will continue after the transfer of this customer base to Matrix. In addition, the customers rates, terms and conditions of service will not change from those currently in place. Matrix will continue to provide high quality, affordable telecommunications services to these customers in the same manner as it has operated since it obtained its certificate and in the same manner as it has serviced these customers over the last year and a half pursuant to the MSA. However, should the transfer not be approved, it would seem almost certain that these customers would experience a discontinuance in service as IECOM no longer has the ability to service these customers and has, in fact, ceased operations.

As Matrix proposes to operate this base under the name of IECOM, Matrix requests that its Certificate of Authority be modified to include its right to operate under this name. Further, Matrix will make additional filings, as required, to incorporate appropriate rates, terms and conditions of service into its current tariff in order to assure that this base will not experience a change in the rates, terms or conditions of service that currently apply.

The Applicants hereto recognize that a Customer Notification of the transfer is required. Attached hereto as Attachment "C" is a copy of the Notice that will be sent to all customers on,

or as soon as possible after, the Settlement Effective Date, as defined in the attached Settlement Agreement. While the Applicants intend to make every effort to comply with the states anti-slamming regulations and reconcile said regulations with the Federal Bankruptcy Court Order, a waiver from any applicable anti-slamming regulations that would be violated by this transfer being made pursuant to Bankruptcy Court Order is requested. Waiver may be necessary to ensure a seamless transition of these customers to Buyer. In addition, the Bankruptcy Court Order may require transfer of these customers before the required notice period can be exhausted. As stated above, these customers will see no change in rates, terms or conditions of service from those currently in effect and they will continue to be billed in the same manner as they have been being billed for the last year and a half. The transfer of these customers to Matrix will be transparent to said customers.

Applications for approval of this transaction and a waiver of anti-slamming regulations, where required, will be filed with the FCC and every state in which IECOM is required to file for approval. Letters of notification will be sent to all other states in which IECOM operates.

IECOM and Matrix pledge that they will make every effort to comply with all applicable statutes and Commission rules and regulations.

III. CONTACT INFORMATION.

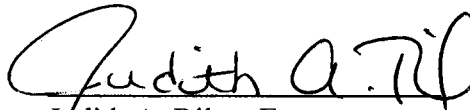
The Applicants herein provide the following contact information for questions, notices, pleadings and other communications concerning this Application:

Judith A. Riley, Esq.
Telecom Professionals, Inc.
2912 Lakeside Drive
Oklahoma City, OK 73120
Telephone: (405) 755-8177
Facsimile: (405) 755-8377
email: jriley@telecompliance.net

IV. CONCLUSION.

For the reasons stated herein, the Applicants request expedited approval of the transfer of assets and related transactions and waiver of anti-slamming regulations as described herein, to permit the Applicants to consummate this transfer as soon as possible.

Respectfully Submitted,


A handwritten signature in black ink, appearing to read "Judith A. Riley". The signature is fluid and cursive, with the first name "Judith" being more prominent than the last name "Riley".

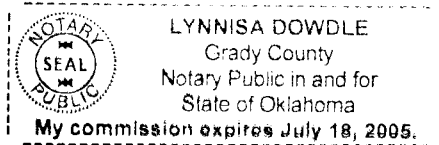
Judith A. Riley, Esq.
Telecom Professionals, Inc.
2912 Lakeside Drive
Oklahoma City, OK 73120
Telephone-(405) 755-8177
Facsimile-(405) 755-8377
email-jriley@telecompliance.net

Regulatory Counsel for Applicants

Dated: November 6, 2002.

STATE OF OKLAHOMA)
) SS
COUNTY OF GRADY)


Dennis E. Smith
President
Matrix Telecom, Inc.



Lyndee Dandridge
Notary Public

July 18, 2005

Commission #: **01012005**

ATTACHMENT A

MOTION FOR APPROVAL OF SETTLEMENT AGREEMENT

UNITED STATES BANKRUPTCY FILING

LEE R. BOGDANOFF (State Bar No. 119542), and
 MARTIN R. BARASH (State Bar No. 162314), Attorneys with
 KLEE, TUCHIN, BOGDANOFF & STERN LLP
 1880 Century Park East, Suite 200
 Los Angeles, California 90067-1698
 Telephone: (310) 407-4000
 Facsimile: (310) 407-9090

Bankruptcy Counsel for Pacific Gateway Exchange, Inc., et al.,
 Debtors and Debtors In Possession

Debtors' Mailing Address:
 500 Airport Drive, Suite 340
 Burlingame, California 94010

**UNITED STATES BANKRUPTCY COURT
 NORTHERN DISTRICT OF CALIFORNIA
 SAN FRANCISCO DIVISION**

In re:

PACIFIC GATEWAY EXCHANGE, INC.,
 a Delaware corporation (Tax I.D. No. 94-
 3134065); INTERNATIONAL EX-
 CHANGE COMMUNICATIONS, INC., a
 Delaware corporation (Tax I.D. No. 94-
 3292374); ONYX NETWORKS, INC., a
 Delaware corporation, f/k/a/ PGExpress,
 Inc. (Tax I.D. No. 94-3335904); WORLD
 PATHWAYS, INC., a Delaware corpora-
 tion (Tax I.D. No. 94-3282029);
 WORLDLINK, INC., a Delaware corpora-
 tion (Tax I.D. No. 94-3286651); and
 GLOBAL TIME, INC., a Delaware corpo-
 ration (Tax I.D. No. 94-3316865),

Debtors.

Case Nos. SF 00-33019 DM; SF 01-30027
 DM; SF 01-30014 DM; SF 01-30016 DM;
 SF 01-30017 DM; SF 01-30015 DM
 (Jointly Administered under Case No. SF
 00-33019 DM)

Chapter 11

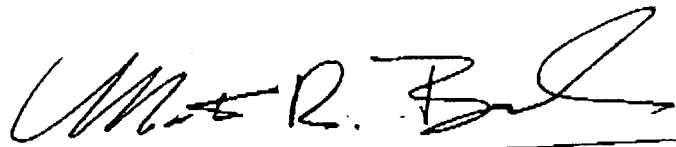
[Pleading Applies to All Cases]

**NOTICE OF MOTION AND MOTION
 BY INTERNATIONAL EXCHANGE
 COMMUNICATIONS, INC. FOR
 APPROVAL OF SETTLEMENT
 AGREEMENT WITH MATRIX
 TELECOM, INC. AND SALE OF
 ASSETS PURSUANT THERETO;
 DECLARATION OF DAVID M.
 DAVIS IN SUPPORT THEREOF**

**No Hearing Required Pursuant To
 Bankruptcy Local Rule 9014-1(b)(3)**

1 a hearing wishes to present in support of its position. If there is no timely objection to the
2 requested relief or a request for hearing, the Court may enter an order granting the relief
3 requested in the Motion without further notice or hearing.
4

5 DATED: October 17, 2002



MARTIN R. BARASH, an Attorney with
KLEE, TUCHIN, BOGDANOFF & STERN LLP
Bankruptcy Counsel For
Debtors And Debtors In Possession

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1 **MEMORANDUM OF POINTS AND AUTHORITIES**

2 **I.**

3 **BACKGROUND FACTS**

4 **A. General Background**

5 On December 29, 2000, PGEX filed a voluntary petition for relief under
6 chapter 11 of title 11 of the United States Code ("Bankruptcy Code"). On January 3,
7 2001 and January 4, 2001, certain of PGEX's domestic subsidiaries also filed voluntary
8 petitions under chapter 11 of the Bankruptcy Code: IECOM, Onyx, World Pathways, Inc.
9 ("WPI"), WorldLink, Inc. ("WLI"), and Global Time, Inc. ("GTI"), the latter of which is
10 a subsidiary of IECOM (collectively with PGEX, the "Debtors"). Pursuant to Bankruptcy
11 Code sections 1107(a) and 1108, the Debtors have been managing their affairs as debtors
12 and debtors in possession.

13 Prior to the commencement of these cases, the Debtors and their non-debtor
14 affiliates (collectively, the "Company") operated a global telecommunications enterprise,
15 offering voice-based telecommunications, Internet and bandwidth services. The
16 Company used and resold telecommunications services on a state-of-the-art network of
17 land-based and undersea cables that connect key metropolitan centers in the United
18 States, Europe, Asia, and the Pacific. The Company (through its various entities) owns
19 (or owned) some of the cable capacity that comprised that network, as well as several
20 land-based switching facilities in California, New York, Texas, Australia, New Zealand,
21 the United Kingdom, Russia, and Germany.

22 For over half a year prior to the petition dates, with the assistance of
23 Development Specialists, Inc. ("DSI"), a national turnaround consulting firm, the Debtors
24 and their non-debtor affiliates were engaged in efforts to streamline their businesses,
25 discontinue unprofitable operations, and attempt to market the assets relating to those
26 operations. As of their Petition Dates, the Debtors ceased operations. During these
27 cases, the Debtors have been liquidating their assets in an orderly fashion in order to
28 maximize the value of those assets. The Debtors obtained limited, short-term debtor in

1 possession financing ("DIP Financing") for this purpose from their prepetition lenders
2 ("Lenders").

3 **B. IECOM, Matrix, and the Settlement Agreement.**

4 The retail business was operated by IECOM. Prior to the Petition Date,
5 IECOM sold end-user long distance telephone services on a pre-subscribed and call-by-
6 call basis to customers in the United States. Based in Santa Ana, California, IECOM
7 specialized in targeting groups that are high-volume consumers of international
8 telecommunications services, including the Filipino, Japanese, Chinese, Vietnamese,
9 Russian, and Korean communities resident in the United States. IECOM was a
10 "switchless" reseller of telecommunications services, meaning it obtained long distance
11 services from PGEX and other wholesale carriers. IECOM holds (and held) an array of
12 state and federal regulatory licenses that were necessary to operate its business
13 throughout the United States.

14 On December 29, 2000, IECOM entered into a certain Management
15 Services Agreement ("MSA") with Matrix Telecom, Inc. ("Matrix"), pursuant to which
16 Matrix has been providing telecommunication services to IECOM's customer base. The
17 MSA provided, among other things, that: (1) IECOM appointed Matrix as the sole and
18 exclusive provider of all services necessary or appropriate for the supervision and
19 management of certain assets of IECOM (as defined in the MSA, the "Assets"); (2)
20 Matrix agreed to receive specified compensation for its services; (3) IECOM agreed to
21 receive specified royalties for Matrix's use of the Assets; (4) IECOM and Matrix agreed
22 to share collected accounts receivable in specified proportions; and (5) IECOM and
23 Matrix undertook various responsibilities and made various representations and
24 covenants. The MSA also recited that IECOM and Matrix desired to negotiate and enter
25 into an Asset Purchase Agreement under which Matrix would buy the Assets pending
26 negotiation of a definitive transaction. A copy of the MSA is attached and incorporated
27 into the Settlement Agreement.

28

1 On December 29, 2000, Pacific Gateway Exchange, Inc. filed a voluntary
2 petition under chapter 11 of title 11 of the United States Code (the "Bankruptcy Code")
3 in the United States Bankruptcy Court for the Northern District of California (the
4 "Bankruptcy Court"). On January 3, 2001, Onyx Networks, Inc., World Pathways, Inc.,
5 WORLDLINK, INC., and Global Time, Inc. also filed voluntary petitions under chapter
6 11 in the Bankruptcy Court. Finally, on January 4, 2001, IECOM filed a voluntary
7 petition under chapter 11 of the Bankruptcy Code in the Bankruptcy Court. On January
8 9, 2001, the Bankruptcy Court entered in the Debtors' cases its Interim Order (A) (i)
9 Authorizing Post Petition Financing and (ii) Granting Super Administrative Priority
10 Expense Claim Status and (B) Scheduling a Final Hearing, attached to which was a copy
11 of the MSA and a Clarification of the MSA, elaborating upon the proportions of collected
12 accounts receivable that IECOM and Matrix had agreed to share.

13 Just prior to IECOM's Petition Date, Matrix determined that it would not
14 require the services of virtually all of IECOM's employees to fulfill its obligations under
15 the Management Services Agreement. Accordingly, IECOM's operations were
16 discontinued and most of its employees were terminated prior to the commencement of
17 this case. The remaining employees were terminated shortly thereafter. Following the
18 commencement of the case for IECOM, Matrix and IECOM were unable to agree upon the
19 terms of an Asset Purchase Agreement under which Matrix would buy the Assets
20 identified in the MSA. Among other things, IECOM has insisted that Matrix purchase the
21 Assets for 1.5 times IECOM's December 2000 revenues, the contemplated price
22 referenced in the MSA. Matrix has asserted in response, among other things, that the
23 price referenced in the MSA did not constitute a binding offer to purchase the Assets at
24 that price. Each of IECOM and Matrix asserts that the acts, omissions, and/or
25 misrepresentations of the other are to blame for their inability to agree.

26 Disagreements between Matrix and IECOM also have arisen over their
27 obligations under the MSA. IECOM asserts that Matrix breached certain of its covenants,
28 obligations, and representations under the MSA by failing to pay IECOM royalties to

1 which IECOM was entitled and by underreporting the revenues on which the royalties
2 were based. IECOM asserts that Matrix owes it approximately \$771,885 in unpaid
3 royalties. Matrix disputes these assertions. Matrix asserts that IECOM breached certain
4 of its covenants, obligations, and representations under the MSA and thereby caused
5 Matrix to incur extraordinary expenses that it should not have had to incur and that these
6 expenses offset any royalties otherwise due and entitle Matrix to assert a claim for an
7 administrative expense against IECOM's bankruptcy estate. Matrix asserts that IECOM
8 owes it approximately \$1,060,000 for these expenses. IECOM disputes these assertions.
9 Also, as noted above, IECOM asserts that Matrix has not negotiated in good faith an Asset
10 Purchase Agreement under which Matrix would buy the Assets. Matrix disputes this
11 assertion.

12 At various times throughout the pendency of IECOM's chapter 11 case,
13 representatives of IECOM and Matrix have engaged in negotiations to reach a global
14 resolution of their disagreements. These settlement negotiations have been conducted at
15 arms' length and in good faith by IECOM and Matrix, and have resulted in the Settlement
16 Agreement. Without admitting any liability or the accuracy of any claims or allegations,
17 the parties have agreed to settle as expeditiously as possible all disputes among
18 themselves, including all disputes arising out of the facts and allegations recited above,
19 pursuant to the terms of the Settlement Agreement. As more specifically set forth
20 therein, Matrix will pay IECOM \$600,000, IECOM shall transfer to Matrix the Assets, and
21 both Matrix and IECOM will waive all claims against each other. The Settlement
22 Agreement is fair, reasonable, and in the best interests of IECOM's estate.

23 All funds generated from the Settlement Agreement (i.e., the \$600,000) will
24 be remitted to the Lenders pursuant to the DIP Financing agreements, and in accordance
25 with the properly perfected, first priority lien asserted by the Lenders in all of IECOM's
26 assets. By execution of the Settlement Agreement by their agent, the Lenders already
27 have approved of the Settlement Agreement and consented to the relief requested in this
28 Motion.

1 Although IECOM disputes Matrix's contentions regarding liability for over
2 \$1 million in administrative expenses, and although it believes that its claims against
3 Matrix would be meritorious if litigated, IECOM would face substantial expense and
4 litigation risk if the Settlement Agreement is not approved. Presently, IECOM's only
5 source of funds for such litigation derive from the DIP Financing, and it is not clear
6 whether and to what extent the Lenders would approve funds for such purpose. Further,
7 it is unclear whether the IECOM customer base actually can be transferred to another
8 buyer and sold for any amount, if this Settlement Agreement is not approved. In light of
9 these circumstances, the Settlement Agreement is fair and reasonable. Further, the fact
10 that the Settlement Agreement has been approved by the one group of creditors that hold
11 the economic interest in these matters – the Lenders – there can be little question that the
12 relief requested is appropriate under the circumstances.

13 II.

14 LEGAL ARGUMENT

15 A. This Court Should Approve The Stipulation As A Compromise 16 Or Settlement Of Controversy Pursuant To Federal Rule Of 17 Bankruptcy Procedure 9019(a).

18 1. The Applicable Standard.

19 Bankruptcy Rule 9019(a) provides that:

20 On motion by the [debtor in possession] and after a hearing
21 on notice to creditors, the United States trustee, the debtor
22 and indenture trustees as provided in Rule 2002 and to such
other entities as the court may designate, the court may
approve a compromise or settlement.

23 Fed. R. Bankr. P. 9019(a).

24 The Ninth Circuit has long recognized that "[t]he bankruptcy court has
25 great latitude in approving compromise agreements." Woodson v. Fireman's Fund Ins.
26 Co. (In re Woodson), 839 F.2d 610, 620 (9th Cir. 1988). "The purpose of a compromise
27 agreement is to allow the [debtor in possession] and the creditors to avoid the expenses
28 and burdens associated with litigating sharply contested and dubious claims." Martin v.

1 Kane (In re A & C Properties), 784 F.2d 1377, 1380-81 (9th Cir.), cert. denied, 479 U.S.
2 854 (1986). Accordingly, in approving a settlement agreement, the Court need conduct
3 neither an exhaustive investigation into the validity, nor a mini-trial on the merits, of the
4 claims sought to be compromised. United States v. Alaska National Bank (In re Walsh
5 Constr., Inc.), 669 F.2d 1325, 1328 (9th Cir. 1982). Rather, it is sufficient that the Court
6 find that the settlement was negotiated in good faith and is reasonable, fair, and equitable.
7 In re A & C Properties, 784 F.2d at 1381.

8 The Ninth Circuit has identified the following factors for consideration in
9 determining whether a proposed settlement agreement is reasonable, fair, and equitable:
10 (a) The probability of success in the litigation; (b) the difficulties, if any, to be
11 encountered in the matter of collection; (c) the complexity of the litigation involved, and
12 the expense, inconvenience and delay necessarily attending it; (d) the paramount interest
13 of the creditors and a proper deference to their reasonable views in the premises. In re A
14 & C Properties, 784 F.2d at 1381.

15 Consideration of these factors does not require the Court to decide the
16 questions of law and fact raised in the controversies sought to be settled, or to determine
17 whether the settlement presented is the best one that could possibly have been achieved.
18 Rather, the Court need only canvass the issues to determine whether the settlement falls
19 "below the *lowest point in the zone of reasonableness*." Newman v. Stein, 464 F.2d 689,
20 698 (2d Cir.) (emphasis added), cert. denied sub nom. Benson v. Newman, 409 U.S. 1039
21 (1972); see also Anaconda-Ericsson Inc. v. Hessen (In re Teltronics Services, Inc.), 762
22 F.2d 185, 189 (2d Cir. 1985); Cosoff v. Rodman (In re W.T. Grant Co.), 699 F.2d 599,
23 608 (2d Cir.), cert. denied, 464 U.S. 822 (1983). Finally, although the Court should give
24 deference to the reasonable views of creditors, "objections do not rule. It is well
25 established that compromises are favored in bankruptcy." In re Lee Way Holding Co.,
26 120 B.R. 881, 891 (Bankr. S.D. Ohio 1990).

2. The Court Should Approve The Settlement Agreement Because It Is Fair, Reasonable, And In The Best Interests Of The Debtors And The Estates.

As the facts set forth above and in the accompanying Davis Declaration amply demonstrate, the Settlement Agreement is reasonable, fair, and in the best interests of IECOM and its economic stakeholders. Despite IECOM's belief that it is entitled to \$771,885 in unpaid royalties and additional amounts in compensation for the Assets (i.e., principally the customer base), IECOM faces real expense and real risk in pursuing these causes of action rather than entering into the Settlement Agreement. As noted above, Matrix asserts over \$1 million in administrative expenses against IECOM which, if sustained, would substantially offset any judgment that IECOM might realize against Matrix. IECOM's only source of funds for such litigation would derive from the DIP Financing, over which the Lenders have complete budgetary discretion – the very same Lenders who would be exclusively entitled to the proceeds of such litigation, on account of the DIP Financing agreements and their prepetition liens. As noted by their execution of the Settlement Agreement, the Lenders have approved of the Settlement Agreement. As the creditors with the economic interest in the matter, their approval confirms that approval of the Settlement Agreement is fair, reasonable and sensible.

III.

CONCLUSION

WHEREFORE, for the reasons and based on the authorities presented above, IECOM respectfully requests that this Court enter an order pursuant to Federal Rule of Bankruptcy Procedure 9019(a) approving the Settlement Agreement attached hereto as Exhibit "1".

DATED: October 17, 2002

**MARTIN R. BARASH, an Attorney with
KLEE, TUCHIN, BOGDANOFF & STERN LLP
Bankruptcy Counsel For
Debtors And Debtors In Possession**

1 I, DAVID M. DAVIS., declare as follows:

2 1. I am over 18 years of age. If called as a witness in this case, I could
3 and would competently testify from my own personal knowledge regarding the matters
4 set forth in this Declaration, except as otherwise may be stated.

5 2. On December 29, 2000, Pacific Gateway Exchange, Inc., a Delaware
6 corporation ("PGEX") filed a voluntary petition for relief under chapter 11 of title 11 of
7 the United States Code ("Bankruptcy Code"). On January 3 and 4, 2001, certain of
8 PGEX's domestic subsidiaries also filed voluntary petitions under chapter 11 of the Bank-
9 ruptcy Code: International Exchange Communications, Inc., a Delaware corporation
10 ("IECom") (January 4), Onyx Networks, Inc., a Delaware corporation ("Onyx"), World
11 Pathways, Inc., a Delaware corporation ("WPI"), WorldLink, Inc., a Delaware corpora-
12 tion ("WLI"), and Global Time, Inc., a Delaware corporation ("GTI"), the latter of which
13 is a subsidiary of IECom (collectively with PGEX, the "Debtors").

14 3. I am the Chief Financial Officer of PGEX and President of Onyx,
15 IECom, WPI, WLI, and GTI. I am the sole officer of each of the Debtors and the indi-
16 vidual designated by the Court as the Responsible Person for the Debtors as debtors in
17 possession. I have served as an officer of PGEX since August, 2000, and became an of-
18 ficer of the other Debtors shortly before the commencement of their cases. As a result of
19 my involvement with the Debtors, I am familiar with the nature and scope of the Debtors'
20 operations and financial affairs, the Debtors' books and records, their various assets, and
21 their chapter 11 efforts.

22 4. For over half a year prior to the petition dates, with the assistance of
23 Development Specialists, Inc. ("DSI"), a national turnaround consulting firm, the Debtors
24 and their non-debtor affiliates were engaged in efforts to streamline their businesses, dis-
25 continue unprofitable operations, and attempt to market the assets relating to those opera-
26 tions. As of their Petition Dates, the Debtors ceased operations. During these cases, the
27 Debtors have been liquidating their assets in an orderly fashion in order to maximize the
28 value of those assets. The Debtors obtained limited, short-term debtor in possession fi-

1 nancing ("DIP Financing") for this purpose from their prepetition lenders ("Lenders").

2 5. Prior to the commencement of these cases, the Debtors and their
3 non-debtor affiliates (collectively, the "Company") operated a global telecommunications
4 enterprise, offering voice-based telecommunications, Internet and bandwidth services.
5 The Company used and resold telecommunications services on a state-of-the-art network
6 of land-based and undersea cables that connect key metropolitan centers in the United
7 States, Europe, Asia, and the Pacific. The Company (through its various entities) owns
8 (or owned) some of the cable capacity that comprised that network, as well as several
9 land-based switching facilities in California, New York, Texas, Australia, New Zealand,
10 the United Kingdom, Russia, and Germany.

11 6. IECOM was the Company's retail business. Prior to the Petition
12 Date, IECOM sold end-user long distance telephone services on a pre-subscribed and call-
13 by-call basis to customers in the United States. Based in Santa Ana, California, IECOM
14 specialized in targeting groups that are high-volume consumers of international
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16 Russian, and Korean communities resident in the United States. IECOM was a
17 "switchless" reseller of telecommunications services, meaning it obtained long distance
18 services from PGEX and other wholesale carriers. IECOM holds (or held) an array of
19 state and federal regulatory licenses that were necessary to operate its business
20 throughout the United States.

21 7. On December 29, 2000, IECOM entered into a certain Management
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26 management of certain assets of IECOM (as defined in the MSA, the "Assets"); (2)
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2 Matrix undertook various responsibilities and made various representations and
3 covenants. The MSA also recited that IECOM and Matrix desired to negotiate and enter
4 into an Asset Purchase Agreement under which Matrix would buy the Assets pending
5 negotiation of a definitive transaction. A copy of the MSA is attached and incorporated
6 into the "Settlement Agreement," which is annexed hereto as Exhibit 1 and discussed
7 below.

8 8. Just prior to IECOM's Petition Date, Matrix determined that it would
9 not require the services of virtually all of IECOM's employees to fulfill its obligations
10 under the Management Services Agreement. Accordingly, IECOM's operations were
11 discontinued and most of its employees were terminated prior to the commencement of
12 this case. The remaining employees were terminated shortly thereafter. Following the
13 commencement of the case for IECOM, Matrix and IECOM were unable to agree upon the
14 terms of an Asset Purchase Agreement under which Matrix would buy the Assets
15 identified in the MSA. Among other things, IECOM has insisted that Matrix purchase the
16 Assets for 1.5 times IECOM's December 2000 revenues, the contemplated price
17 referenced in the MSA. Matrix asserted in response, among other things, that the price
18 referenced in the MSA did not constitute a binding offer to purchase the Assets at that
19 price.

20 9. Disagreements between Matrix and IECOM also arose over their
21 obligations under the MSA. IECOM has asserted that Matrix breached certain of its
22 covenants, obligations, and representations under the MSA by failing to pay IECOM
23 royalties to which IECOM was entitled and by underreporting the revenues on which the
24 royalties were based. IECOM has asserted that Matrix owes it approximately \$771,885 in
25 unpaid royalties. Matrix has disputed these assertions, arguing that IECOM breached
26 certain of its covenants, obligations, and representations under the MSA and thereby
27 caused Matrix to incur extraordinary expenses (over \$1 million), which Matrix asserts it
28 is entitled to recover as an administrative expense against IECOM's bankruptcy estate.

1 IECOM disputes these assertions, and further asserts that Matrix has not negotiated in
2 good faith an Asset Purchase Agreement under which Matrix would buy the Assets.

3 10. At various times throughout the pendency of IECOM's chapter 11
4 case, representatives of Matrix and IECOM (including myself and counsel under my
5 direction) have engaged in negotiations to reach a global resolution of their
6 disagreements. At all times these settlement negotiations have been conducted at arms'
7 length and in good faith by IECOM, which has sought exclusively to maximize the
8 recovery for its estate. Based upon my observations of Matrix's representatives, it
9 likewise appears to me that Matrix sought to maximize the recovery for Matrix. Without
10 admitting any liability or the accuracy of any claims or allegations, the parties have
11 agreed to settle as expeditiously as possible all disputes among themselves pursuant to
12 the attached Settlement Agreement. As more specifically set forth therein, Matrix will
13 pay IECOM \$600,000, IECOM shall transfer to Matrix the Assets, and both Matrix and
14 IECOM will waive all claims against each other.

15 11. It is my belief, based upon prior dealings with Matrix and my
16 experience in these cases generally, that IECOM would face substantial expense if the
17 Settlement Agreement is not approved, as well as litigation risk. Presently, IECOM's only
18 source of funds for such litigation derive from the DIP Financing. I do not believe that
19 the Lenders would approve funds for such purpose. Further, it is unclear whether the
20 IECOM customer base actually could be transferred to another buyer and sold for any
21 amount, if this Settlement Agreement is not approved. Based upon all of the foregoing, I
22 have determined, in the exercise of my business judgment on behalf of IECOM, that the
23 Settlement Agreement is fair, reasonable, and in the best interests of IECOM's estate.

24 I declare under penalty of perjury that the foregoing is true and correct.

25 Executed this 17th day of October, 2001, at Burlingame, California.

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DAVID M. DAVIS

SETTLEMENT AGREEMENT

This Settlement Agreement dated August 12, 2002 (the "Settlement Agreement") is entered into by and among Matrix Telecom, Inc. ("Matrix") and International Exchange Communications, Inc. ("IECom") (together, Matrix and IECom will be referred to as the "Settling Parties"). With the intent of achieving a final resolution of the disputes among them that arise out of or are in any way related to any of the matters set forth in the following Recitals, and with the intent of being legally bound, the Settling Parties hereby represent and agree as follows.

RECITALS

A. On or about December 28, 2000, Matrix and IECom signed a Management Services Agreement that stated it was "made and entered into as of January 5, 2001" (the "MSA"), a copy of which is attached hereto and incorporated by reference as if set forth in full. The MSA provided, among other things, that: (1) IECom appointed Matrix as the sole and exclusive provider of all services necessary or appropriate for the supervision and management of certain assets of IECom (as defined in the MSA, the "Assets"); (2) Matrix agreed to receive specified compensation for its services; (3) IECom agreed to receive specified royalties for Matrix's use of the Assets; (4) IECom and Matrix agreed to share collected accounts receivable in specified proportions; and (5) IECom and Matrix undertook various responsibilities and made various representations and covenants. The MSA also recited that IECom and Matrix desired to negotiate and enter into an Asset Purchase Agreement under which Matrix would buy the Assets.

B. On December 29, 2000, Pacific Gateway Exchange, Inc. filed a voluntary petition under chapter 11 of title 11 of the United States Code (the

"Bankruptcy Code") in the United States Bankruptcy Court for the Northern District of California (the "Bankruptcy Court"). On January 3, 2001, Onyx Networks, Inc., World Pathways, Inc., WORLDLINK, INC., and Global Time, Inc. filed voluntary petitions under chapter 11 of the Bankruptcy Code in the Bankruptcy Court. On January 4, 2001, IECOM filed a voluntary petition under chapter 11 of the Bankruptcy Code in the Bankruptcy Court. Together, these six entities will be referred to as the "Debtors". For procedural purposes, the Bankruptcy Court is jointly administering the Debtors' cases under case number SF 00-33019 DM.

C. On January 9, 2001, the Bankruptcy Court entered in the Debtors' cases its *Interim Order (A) (i) Authorizing Post Petition Financing and (ii) Granting Super Administrative Priority Expense Claim Status and (B) Scheduling a Final Hearing*, to which were attached a copy of the MSA and a Clarification of the MSA that elaborated upon the proportions of collected accounts receivable that IECOM and Matrix had agreed to share.

D. Matrix and IECOM were unable to agree upon the terms of an Asset Purchase Agreement under which Matrix would buy the Assets. Each of the Settling Parties asserts that the acts, omissions, and/or misrepresentations of the other are to blame for their inability to agree.

E. Disagreements between Matrix and IECOM have arisen over their obligations under the MSA. (a) IECOM asserts that Matrix breached certain of its covenants, obligations, and representations under the MSA by failing to pay IECOM royalties to which IECOM was entitled and by underreporting the revenues on which the royalties were based. IECOM asserts that Matrix owes it approximately \$771,885 in unpaid royalties. Matrix disputes these assertions. (b) Matrix asserts that IECOM breached certain of its covenants, obligations, and representations under the MSA and thereby caused Matrix to incur extraordinary

expenses that it should not have had to incur and that these expenses offset any royalties otherwise due and entitle Matrix to assert a claim for an administrative expense against IECOM's bankruptcy estate. Matrix asserts that IECOM owes it approximately \$1,060,000 for these expenses. IECOM disputes these assertions. (c) IECOM asserts that Matrix has not negotiated in good faith an Asset Purchase Agreement under which Matrix would buy the Assets. Matrix disputes this assertion.

F. Representatives of the Settling Parties have engaged in negotiations to reach a global resolution of their disagreements. These settlement negotiations have been conducted at arms' length and in good faith by the Settling Parties and have resulted in this Settlement Agreement. Accordingly, without admitting any liability or the accuracy of any claims or allegations, the Settling Parties wish to settle as expeditiously as possible all disputes among themselves, including all disputes arising out of the facts and allegations recited above, as follows.

SETTLEMENT TERMS

In light of the foregoing, and in consideration of the promises and releases contained herein and other good and valuable consideration, the sufficiency of which is hereby acknowledged, the Settling Parties agree as follows:

1. The Settling Parties acknowledge that this Settlement Agreement is subject to the approval of the Bankruptcy Court, and it is agreed that IECOM shall, at its own expense, seek to obtain approval of this Settlement Agreement by the Bankruptcy Court as soon as possible pursuant to Federal Rule of Bankruptcy Procedure 9019 on due and appropriate notice to creditors and other parties in interest in IECOM's chapter 11 case; provided, however, that Matrix

shall bear the burden (and any cost) of providing the evidence uniquely within its control that is necessary to obtain the Bankruptcy Court's approval.

2. This Settlement Agreement shall be effective on the first business day that an order of the Bankruptcy Court approving this Settlement Agreement ("Settlement and Sale Order") in a form reasonably acceptable to the Settling Parties becomes final, unappealable, and unstayed (the "Settlement Effective Date"); provided, however, that Matrix may, in its sole discretion, waive the requirement that the order be final and unappealable, and cause the Settlement Effective Date to occur following entry of the Settlement and Sale Order, by delivering a written notice to this effect to IECOM, in which case the Settlement Effective Date shall be the date on which such notice is delivered.

3. The Settlement and Sale Order must (A) provide for the sale of the Assets to Matrix (i) free and clear of all liens, claims, encumbrances, and interests of those lienholders identified in the Bankruptcy Court's "Order Granting Omnibus Motion to Establish Procedures for the Expedited Sale of Assets and Authority to Sell Assets Free and Clear of Liens, Claims, and Encumbrances" (collectively, the "Lienholders") entered in the Debtors' cases on March 12, 2001 and (ii) without any other representations, warranties, or conditions, (B) require the transfer of the Assets and the payment of the \$600,000 to occur without delay, and (C) include a finding that Matrix is a good-faith purchaser of the Assets as defined in section 363(m) of the Bankruptcy Code. Provided the Settlement and Sale Order is entered, effective and unstayed, IECOM will execute and deliver to Matrix any other documents that Matrix reasonably needs to effectuate its acquisition of the Assets.

4. On the Settlement Effective Date, Matrix will pay or cause to be paid to IECOM \$600,000 by cashier's check or wire transfer.

5. Neither IECOM nor its secured lenders (as signified by their approval and agreement at the end of this Settlement Agreement) will request that the delivery of the Assets to Matrix be subject to an overbid and will oppose any request for any overbid.

6. The Settling Parties acknowledge that certain regulatory filings will need to be made to effectuate Matrix's acquisition of the Assets, and IECOM agrees to grant Matrix reasonable access at reasonable times upon reasonable notice to documents or other information that Matrix needs for these filings or for other reasons to effectuate its acquisition of the Assets.

7. Subject to Paragraph 8 hereof, on the later of the Settlement Effective Date and the date Matrix pays IECOM \$600,000 as required in paragraph 4 above, except as otherwise expressly provided in this Settlement Agreement, IECOM and each of its past and present predecessors, successors, and assigns (jointly and severally, the "IECOM Parties"), for and in consideration of this Settlement Agreement, release and absolutely and forever discharge Matrix and each of its past and present predecessors, successors, and assigns (jointly and severally, the "Matrix Parties") and their officers, directors, employees, and attorneys of and from any and all demands, promises, agreements, losses, injuries, claims, damages, debts, liabilities, accounts, reckonings, obligations, costs, expenses, liens, actions, and causes of action arising out of or in any way related to any of the matters set forth in the Recitals of this Settlement Agreement.

8. Notwithstanding any other provision of this Agreement:

(A) any and all claims, causes of action or other rights of IECOM against Matrix that arise under the MSA as a result of claims, causes of action or other rights asserted by third parties against IECOM that become "Allowed General Administrative Claims" under the proposed Joint

Chapter 11 Plan of Liquidation dated July 31, 2002 ("Plan"), or that otherwise become allowed administrative expenses pursuant to Bankruptcy Code section 503(b) are neither waived nor released under this Agreement;

(B) Matrix hereby represents and warrants to the best of its knowledge that all liabilities incurred by Matrix in connection with, arising out of, or relating to its performance or non-performance of rights, duties, and/or responsibilities under the MSA, on its own behalf or as agent for IECOM, have been paid and/or fully satisfied; and

(C) Matrix agrees to, and hereby does, fully indemnify, defend and save and hold IECOM harmless at all times in the event the IECOM shall at any time, or from time to time suffer any damage, obligation, liability, loss, cost, expense, claim, settlement (including all reasonable attorneys' fees) that becomes an "Allowed General Administrative Claim" under the proposed Joint Chapter 11 Plan of Liquidation dated July 31, 2002, that otherwise becomes an allowed administrative expense pursuant to Bankruptcy Code section 503(b), or that would qualify as an allowed administrative expense if the procedural requirements of section 503(b) were satisfied, in connection with the assertion of a claim, cause of action or other right by a third party, arising out of, resulting from or in connection with the performance or nonperformance by Matrix of any rights, duties, and/or responsibilities under the MSA, on its own behalf or as agent for IECOM. Whenever IECOM is notified that a party asserts a claim against IECOM as to which Matrix has indemnified IECOM under this paragraph, IECOM shall promptly notify Matrix of the claim and, when known, the facts constituting the basis for such claim, provided that failure of IECOM to provide Matrix with such notice shall not excuse or affect Matrix's

indemnification obligations hereunder, except to the extent that the failure to provide such notice shall actually prejudice Matrix. In the event Matrix shall become obligated to IECOM pursuant to this paragraph, or in the event that any suit, action, investigation, claim or proceeding is begun, made or instituted as a result of which Matrix may become obligated to IECOM hereunder, Matrix shall have the right to defend, contest or otherwise protect against any such suit, action, investigation, claim or proceeding by one or more counsel of its choice reasonably acceptable to IECOM. If Matrix so elects to defend or contest, IECOM shall have the right, at its expense, to participate in such defense, but such defense shall, at all times, be conducted by and under the control of Matrix and its counsel. IECOM and its successors under the Plan agree to reasonably cooperate and assist Matrix in defending against any such suit, action, investigation, claim or proceeding.

(D) IECOM hereby represents and warrants that to the best of his actual knowledge, as of the date he executes this Settlement Agreement, David M. Davis, President and Estate Representative for IECOM, has no knowledge of any claims, causes of action or other rights of IECOM against Matrix that have arisen under the MSA as a result of claims, causes of action or other rights asserted by third parties against IECOM that are or may become allowed administrative expenses pursuant to Bankruptcy Code section 503(b). This representation and warranty is made by IECOM; Matrix shall have no recourse against Mr. Davis in connection with such representation and warranty.

(E) Except as otherwise expressly provided in this Settlement Agreement, nothing in this Settlement Agreement shall affect IECOM's claims or rights against any other entities not a party to this Settlement

Agreement or covered by this release, and nothing in this Settlement Agreement shall affect any other person's or entity's rights or claims against any other person or entity. The rights and claims released pursuant to this Settlement Agreement are limited to the rights and claims owned by the party releasing such rights or claims.

9. On the later of the Settlement Effective Date and the date Matrix pays IECOM \$600,000 as required in paragraph 4 above, the Matrix Parties, for and in consideration of this Settlement Agreement, release and absolutely and forever discharge the IECOM Parties and their officers, directors, trustees, employees, and attorneys of and from any and all demands, promises, agreements, losses, injuries, claims, damages, debts, liabilities, accounts, reckonings, obligations, costs, expenses, liens, actions, and causes of action arising out of or in any way related to any of the matters set forth in the Recitals of this Settlement Agreement.

10. Except as otherwise expressly provided in this Settlement Agreement, nothing in this Settlement Agreement shall affect Matrix's claims against any other entities not a party to this Settlement Agreement.

11. Except as otherwise expressly provided in this Settlement Agreement::

(A) Settling Parties intend this Settlement Agreement to be effective on the Settlement Effective Date as a full and final accord and satisfaction and general release of all claims, debts, damages, liabilities, demands, obligations, costs, expenses, disputes, actions, and causes of action, known or unknown, suspected or unsuspected, that the IECOM Parties may have against the Matrix Parties and that the Matrix Parties may have against the IECOM Parties, by reason of acts, circumstances, or transactions arising out of or in any way related to any of the matters set

forth in the Recitals of this Settlement Agreement, occurring before the Bankruptcy Court's order approving this Settlement Agreement, with the exception of the rights and obligations of the Settling Parties as expressly set forth in or reserved under this Settlement Agreement;

(B) In furtherance of this intention, on the Settlement Effective Date the Settling Parties waive the benefit of the provisions of California Civil Code § 1542, which provides as follows:

A general release does not extend to claims which the creditor does not know or suspect to exist in his favor at the time of executing the release, which if known by him must have materially affected his settlement with the debtor.

(C) On the Settlement Effective Date, the Settling Parties expressly waive and relinquish any and all rights or benefits they may have under, or which may be conferred upon them by, the provisions of § 1542 of the California Civil Code to the fullest extent that they may lawfully waive such rights or benefits pertaining to the subject matter of the release set forth in this Agreement.

(D) In connection with such waiver and relinquishment, the Settling Parties hereby acknowledge that they are aware that they may hereafter discover claims and facts in addition to or different from those which they now know or believe to exist with respect to the subject matter of or any part to the releases set forth in this Agreement, but that it is nonetheless the intention of the Settling Parties to effectuate such releases hereunder.

12. The Settling Parties intend this Settlement Agreement to be binding upon them regardless of any claims of fraud, misrepresentation, concealment of fact, mistake of law or fact, duress, or any other circumstance whatsoever in connection with any matter dealt with in this Settlement Agreement or the

negotiation of this Settlement Agreement. In entering into this Settlement Agreement, all Settling Parties recognize that no facts or representations are ever absolutely certain. Accordingly, the Settling Parties assume the risk of any misrepresentation, concealment, or mistake; and if any of the Settling Parties should subsequently discover that any facts relied upon by it or them in entering into this Settlement Agreement were or are untrue, or that any fact was concealed from it or them, or that an understanding of the facts or of the law was incorrect, that Settling Party or those Settling Parties shall not be entitled to set aside this Settlement Agreement by reason thereof. The finality of this Settlement Agreement is a material factor inducing the Settling Parties to enter into this Settlement Agreement.

13. The Settling Parties will bear their own costs and attorneys' fees in all matters that this Settlement Agreement resolves and with respect to this Settlement Agreement.

14. If the Bankruptcy Court does not approve this Settlement Agreement, the Settling Parties will have the same rights against each other that they had upon the execution of this Settlement Agreement.

15. While the Settling Parties are seeking to obtain approval of this Settlement Agreement by the Bankruptcy Court, the Settling Parties will not sell, transfer, assign, release, or withdraw their claims against each other without the consent of the other Settling Parties or unless any purchaser, assignee, or other transferee of any claim expressly assumes all obligations under the Settlement Agreement of the Settling Party that is selling, assigning, or transferring such claim.

16. If the Bankruptcy Court does not approve this Settlement Agreement, the Settling Parties agree that there shall not be admissible into evidence in, used for any purpose in, have any bearing on, or be deemed a

waiver of the attorney-client privilege in, any proceeding between any of the Settling Parties or in any proceeding involving the matters that are the subject of this Settlement Agreement (a) the material terms of this Settlement Agreement, (b) the details of the negotiations on which this Settlement Agreement was based, (c) any declarations or arguments made on behalf of IECOM and filed with the Bankruptcy Court in connection with the approval of this Agreement, and (d) any declarations or arguments made on behalf of Matrix and filed with the Bankruptcy Court in connection with the approval of this Agreement.

17. All obligations undertaken in this Settlement Agreement by the Settling Parties shall be binding on their respective successors, transferees, and assigns.

18. Each of the Settling Parties warrants and represents to the other Settling Parties as of the date of this Settlement Agreement and as of the Settlement Effective Date that it has not assigned, encumbered, hypothecated, or transferred, or purported to assign, encumber, hypothecate, or transfer, to any other person or entity in any manner, including by way of subrogation, any claim, demand, right, or cause of action that it has agreed in this Settlement Agreement to release or any portion of any recovery or settlement to which this Settlement Agreement entitles it, other than as provided in connection with the debtor in possession financing facility provided by the Lenders to IECOM and its debtor affiliates in connection with their chapter 11 cases.

19. This Settlement Agreement may be executed in counterparts, which, taken together, shall constitute an original executed Settlement Agreement.

20. The rights and obligations of the Settling Parties under this Settlement Agreement shall be construed and enforced in accordance with and governed by the laws of the State of California. The Bankruptcy Court may

interpret and enforce this Settlement Agreement, and the Settling Parties submit to the jurisdiction of the Bankruptcy Court for this purpose.

21. All Settling Parties warrant that they have been represented by counsel in connection with entering into this Settlement Agreement and that all provisions thereof have been explained to them and that they understand them.

22. All Settling Parties represent and declare that they have carefully read this Settlement Agreement and know the contents thereof and that they have signed this Settlement Agreement freely and voluntarily.

23. Each person executing this Settlement Agreement warrants and represents that that person is empowered and authorized to bind the party on whose behalf that person has executed this Settlement Agreement.

24. All Settling Parties shall execute and deliver all such further documents and papers, and shall perform any and all acts, necessary to give full force and effect to all of the terms and provisions of this Settlement Agreement.

25. This Settlement Agreement contains the entire understanding of the Settling Parties with respect to the matters covered herein and supersedes all prior and collateral agreements, understandings, statements, and negotiations of the Settling Parties. All Settling Parties acknowledge that no representations, inducements, promises, or agreements, oral or written, with reference to the subject matter of this Settlement Agreement, have been made other than as expressly set forth herein. This Settlement Agreement cannot be orally changed, rescinded, or terminated. Any change or modification to this Settlement Agreement must be in a writing signed by all Settling Parties.

[signatures on next page]

MATRIX TELECOM, INC.


By: Dennis E. Smith, President

Dated: September 11, 2002

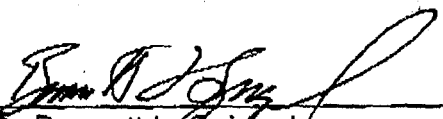
INTERNATIONAL EXCHANGE COMMUNICATIONS, INC.

By Dave Davis, ____

Dated: September ___, 2002

Approved as to form and content

KIRKLAND & ELLIS


By Bennett L. Spiegel
Counsel to Matrix Telecom, Inc.
Dated: September 19, 2002

Martin R. Barash, a member of Klee, Tuchin, Bogdanoff & Stern LLP
Bankruptcy Counsel to International Exchange Communications, Inc.
Dated: August ___, 2002

Agreed and Approved by IECOM's Secured Lenders

O'MELVENY & MYERS

By Ben H. Logan
Counsel to ____
Dated: September ___, 2002

MATRIX TELECOM, INC.

By _____

Dated: August ___, 2002

INTERNATIONAL EXCHANGE COMMUNICATIONS, INC.



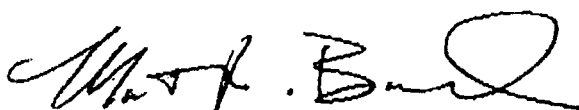
By Dave Davis, _____

Dated: ~~August~~ ^{September} 10, 2002

Approved as to form and content

KIRKLAND & ELLIS

By Bennett L. Spiegel
Counsel to Matrix Telecom, Inc.
Dated: August ___, 2002



Martin R. Barash, a member of Klee, Tuchin, Bogdanoff & Stern LLP
Bankruptcy Counsel to International Exchange Communications, Inc.
Dated: August ___, 2002

~~October 19, 2002~~
Agreed and Approved by IECOM's Secured Lenders

O'MELVENY & MYERS

By Ben H. Logan
Counsel to _____
Dated: August ___, 2002

MATRIX TELECOM, INC.

By _____

Dated: August ___, 2002

INTERNATIONAL EXCHANGE COMMUNICATIONS, INC.

By Dave Davis, _____

Dated: August ___, 2002

Approved as to form and content

KIRKLAND & ELLIS

By Bennett L. Spiegel
Counsel to Matrix Telecom, Inc.
Dated: August ___, 2002

Martin R. Barash, a member of Klee, Tuchin, Bogdanoff & Stern LLP
Bankruptcy Counsel to International Exchange Communications, Inc.
Dated: August ___, 2002

Agreed and Approved by IECOM's Secured Lenders

O'MELVENY & MYERS

By Ben H. Logan
Counsel to Bank America, N.A., as Agent
Dated: August ___, 2002

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FROM

EXHIBIT A

MANAGEMENT SERVICES AGREEMENT

THIS MANAGEMENT SERVICES AGREEMENT ("Agreement") is made and entered into as of January 5, 2000 (the "Effective Date"), by and between International Exchange Communications, Inc. ("IECOMM"), and Matrix Telecom, Inc. ("Matrix").

BACKGROUND

WHEREAS, IECOMM and Matrix desire to negotiate and enter into an Asset Purchase Agreement (the "Purchase Agreement"), pursuant to which Matrix will purchase certain of the assets of IECOMM as set forth in Exhibit A hereto (the "Assets") for a contemplated amount equal to 1.5x December 2000 revenues generated; and

WHEREAS, until such time as the Assets have been transferred to Matrix pursuant to the Purchase Agreement, IECOMM desires to utilize Matrix's services on an exclusive basis to manage the operation of the Assets; and

WHEREAS, Matrix desires to provide the services to IECOMM on the terms and subject to the conditions stated herein.

NOW, THEREFORE, IECOMM and Matrix, in consideration of the mutual promises hereinafter set forth, do hereby promise and agree as follows:

1. **Appointment of Matrix.** IECOMM hereby appoints Matrix as the sole and exclusive provider of all services necessary or appropriate for the supervision and management of the Assets, as described more fully in Section 2 (the "Services"). Matrix hereby accepts such appointment on the terms and subject to the conditions stated herein.

2. **Scope of the Services.** Commencing with the date hereof and continuing during the Term of this Agreement, Matrix shall use its best efforts to establish and implement operational policies and provide sole management of the Assets, including general supervision, direction and control of said Assets. Without limiting the foregoing, Matrix shall maintain IECOMM's relationships with the customers included in the Assets (including, but not limited to, providing long distance service, provisioning, billing, collection, customer complaints and customer contact) and shall manage and account for the customer receivables included in or derived from the Assets. Matrix does not represent or guarantee that management of the Assets will be profitable, and IECOMM acknowledges that the Assets may deteriorate or erode under Matrix's management.

3. **Responsibilities of IECOMM.** Commencing with the date hereof and continuing until termination of this Agreement as provided herein, IECOMM shall assist and fully cooperate with Matrix as is reasonably requested by Matrix in relation to Matrix's performance of the Services. Without limiting the foregoing, IECOMM shall undertake the following responsibilities under the supervision of Matrix or its agents or assignee:

- (a) IECOMM shall provide Matrix with the Assets, including all related information and materials in its possession, which are necessary to enable Matrix to provide the Services, at any reasonable location that Matrix shall designate.
- (b) IECOMM shall be responsible for all taxes, fees, carrier costs and other expenses related to activity or revenue generated and billed prior to the Effective Date, regardless of when such taxes, fees, except for USF billed subsequent to December 31, 2000, carrier costs or other expenses are due or owing.
- (c) IECOMM shall perform any acts reasonably necessary to maintain and preserve the Assets, pursuant to and in accordance with the supervision and direction of Matrix excluding those acts, which are to be performed by Matrix in connection with the Services.
- (d) IECOMM shall continue to communicate with third parties pursuant to the supervision and direction of Matrix, including responding to inquiries, requests and correspondence.

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- (e) IECOMM shall promptly inform Matrix and provide Matrix with copies of all correspondence and communications relating to the Assets.
- (f) At the request of Matrix, IECOMM shall timely exercise whatever rights it has relating to the Assets, including but not limited to its rights (whether in law or equity) with respect to breach, termination, set-off, indemnity, waiver, sub-contracting and assignment.

4. Responsibilities of Matrix. Commencing with the date hereof and continuing until termination of this Agreement as provided herein, Matrix shall undertake the following responsibilities:

- (a) Matrix shall perform all Services to the best of its ability and in a manner reasonably consistent with its past practices.
- (b) Matrix shall be responsible for and pay all taxes, fees, carrier costs and other expenses related to activity or revenue generated after the Effective Date.
- (c) Matrix shall inform IECOMM of all material regulatory communications and cooperate with all regulatory filings.
- (d) Matrix shall inform IECOMM of all material customer complaints and the steps taken by Matrix to resolve said complaints.
- (e) Upon request, Matrix shall provide IECOMM with any management reports it may reasonably request.

5. Additional Covenants. The parties agree that:

- (a) "Toll Free" Telephone Numbers. During the Term, Matrix shall have the sole and exclusive right to use the "toll free" telephone numbers set forth on Exhibit B.
- (b) Carrier Identification Code(s). IECOMM represents and covenants that it owns all right, title and interest in and to the Carrier Identification Code(s) listed on Exhibit A, and that such Code(s) shall be used during the Term exclusively by Matrix in the management and service of the customers included in the Assets.

6. Independent Contractor Status. Matrix is an independent contractor in the performance of the Services under this Agreement and shall determine the method, details and means of performing the Services. Without limiting the generality of the foregoing, Matrix shall be permitted, in its sole discretion, to (i) enter into and perform contracts and agreements in its own name for the furnishing of services, equipment, parts and supplies in connection with the Services, and (ii) recruit, hire and terminate the services of any of its employees and independent contractors who perform services in connection with the Services. Matrix shall solely establish the terms and conditions of employment for all of its employees and shall pay all salaries and other compensation due such employees. Matrix is not an agent of IECOMM and has no authority whatsoever to bind IECOMM by contract or agreement of any kind.

7. Compensation. As compensation for the Services, Matrix shall have the right to retain all net profits associated with the Assets during the Term, except that:

- (a) Matrix shall pay to IECOMM a royalty of six and one-half percent (6.5%) of all revenue generated and collected after the Effective Date, not to exceed one and one-half (1.5) times December, 2000 revenue.
- (b) Such royalty payments shall be due and payable no later than thirty (30) days after such revenue has actually been collected.
- (c) Any amount Matrix is required to pay for taxes, fees, fines, costs, liens or any other expenses for activity or revenue generated prior to the Effective Date may be deducted from any such royalty payment.
- (d) Any amount Matrix is required to pay to facilitate moving the customer base to a new underlying carrier(s) may be deducted from any royalty payment due hereunder.

8. Accounts Receivable Procedures. On the Effective Date, IECOMM will transfer to Matrix control of all lockbox and other bank accounts used for collection and processing of customer payments and related activity, as described in Exhibit A. After the Effective Date, Matrix shall collect and process all payments, holdbacks, reserves, credits, refunds and related payments. Matrix shall pay to IECOMM eighty percent (80%) of all payments received for Direct billings generated prior to the Effective Date, net of bad debts, credits and refunds. Such payments shall be due and payable weekly, within ten (10) days

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of collection. Any LEC payments remitted for billings prior to the effective date will be remitted directly to IECOMM within 5 business days. Matrix shall also provide PGE with a weekly accounting of the collection and processing of all payments, holdbacks, reserves, credits, refunds and related payments.

9. **EXPENSES.** Matrix shall bear all costs and expenses incurred in connection with providing the Services. Except as may be otherwise specifically provided herein, the parties hereto shall pay their own legal fees and expenses incurred in connection with the negotiation and consummation of the transactions contemplated by this Agreement.

10. **Term.** The term of this Agreement (the "Term") shall commence on the date hereof and shall continue until the earlier of (i) the closing of the transactions contemplated by the Purchase Agreement (the "Closing"), or (ii) 120 days after written notice of intent to terminate by either party. Upon the termination of this Agreement, neither party shall be further obligated under this Agreement except for the parties' respective indemnification obligations set forth herein. In the event that this Agreement terminates without closing of the Purchase Agreement, Matrix agrees that it will use its best efforts to return all assets and operational materials in its possession to IECOMM in a manner permitting seamless continuation of service to the customer base.

11. Indemnification of Matrix

11.1 IECOMM agrees to, and hereby does, fully indemnify, defend and save and hold Matrix harmless at all times in the event that Matrix shall at any time or from time to time suffer any damage, obligation, liability, loss, cost, expense, claim, settlement or cause of action (including all reasonable attorneys' fees) arising out of, resulting from or in connection with, or shall pay or become obligated to pay any sum on account of IECOMM's performance or non-performance of obligations under this Agreement (an "Event of Matrix Indemnification").

11.2 Whenever any claim shall arise for indemnification pursuant to Section 11.1, above, Matrix shall promptly notify IECOMM of the claim and when known, the acts constituting the basis for such claim, provided that failure of Matrix to provide IECOMM with such notice shall not excuse or affect IECOMM's indemnification obligations under Section 11.1, above, except to the extent that the failure to provide such notice shall actually prejudice IECOMM. In the event IECOMM shall become obligated to Matrix pursuant to Section 11.1, above, or in the event that any suit, action, investigation, claim or proceeding is begun, made or instituted as a result of which IECOMM may become obligated to Matrix thereunder, IECOMM shall have the right to defend, contest or otherwise protect against any such suit, action, investigation, claim or proceeding by one or more counsel reasonably acceptable to Matrix. In the event IECOMM so elects to defend or contest, Matrix shall have the right, at its expense, to participate in such defense, but such defense shall at all times be conducted by and under the control of IECOMM and its counsel. In the event IECOMM elects not to defend, contest or otherwise protect against any action, investigation, claim or proceeding, Matrix shall have the right, at IECOMM's expense, to pursue any such defense, contest or protection.

12. Indemnification of IECOMM

12.1 Matrix agrees to, and hereby does, fully indemnify, defend and save and hold IECOMM harmless at all times in the event that IECOMM shall at any time or from time to time suffer any damage, obligation, liability, loss, cost, expense, claim, settlement or cause of action (including all reasonable attorneys' fees) arising out of, resulting from or in connection with the performance or non-performance of the Services; provided, however, any such damages, obligations, liabilities, losses, costs, expenses, claims, settlements, or causes of action do not arise out of, result from or be attributable to an Event of Matrix Indemnification.

12.2 Whenever any claim shall arise for indemnification pursuant to Section 12.1, IECOMM shall promptly notify Matrix of the claim and, when known, the facts constituting the basis for such claim, provided that failure of IECOMM to provide Matrix with such notice shall not excuse or affect Matrix's indemnification obligations under Section 12.1, except to the extent that the failure to provide such notice shall actually prejudice Matrix. In the event Matrix shall become obligated to IECOMM pursuant to Section 12.1, or in the event that any suit, action, investigation, claim or proceeding is begun, made or instituted as a result of which Matrix may become obligated to IECOMM thereunder, Matrix shall

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have the right to defend, contest or otherwise protect against any such suit, action, investigation, claim or proceeding by one or more counsel of its choice reasonably acceptable to IECOMM. If Matrix so elects to defend or contest, IECOMM shall have the right, at its expense, to participate in such defense, but such defense shall at all times be conducted by and under the control of Matrix and its counsel. In the event Matrix elects not to defend, contest or otherwise protect against any such suit, investigation, claim or proceeding, IECOMM shall have the right, at Matrix's expense, to pursue any such defense, contest or protection.

12.3 If the contemplated Closing does not occur and this Agreement is terminated according to Section 10(f), Matrix shall be liable for, shall pay or cause to be paid and shall indemnify and hold IECOMM and its affiliates and all of their officers, directors and agents, harmless from and against any and all losses, claims, damages, liabilities, costs, expenses (including reasonable attorneys' fees and the cost and expenses of enforcing such indemnification against Matrix), interest and penalties, if any, arising out of or based upon or for or in respect of each of the following: (i) any and all income Taxes or franchise or other Taxes measured by net income with respect to the Assets (computed on a stand alone basis) for any taxable period (or partial period) commencing after the date hereof and continuing through the termination of this Agreement; (ii) any and all other Taxes with respect to the Assets for any Tax period commencing after the date hereof and continuing through the termination of this Agreement.

13. Notices. All notices, requests, demands and other communications made under this Agreement shall be in writing and shall be deemed given upon (a) confirmation of receipt of a facsimile transmission, (b) confirmed delivery by a standard overnight carrier or when delivered by hand, or (c) the expiration of three (3) business days after the day when mailed by registered or certified mail (postage prepaid, return receipt requested), addressed to the respective parties at the following addresses (or such other address for a party as shall be specified by the notice):

To Matrix, to:
MATRIX TELECOM, INC.
300 N. Meridian
Oklahoma City, OK 73107
Phone: 405-651-9300
Fax: 405-651-9449

To IECOMM, to:
International Exchange Communications, INC.
500 Airport Blvd, Suite 340
Burlingame, CA 94010
Phone 650-658-3153
Fax 650-675-6799

14. Entire Agreement. This Agreement and any agreements between or among the parties hereto of even date herewith constitute the entire agreement among the parties hereto relating to the subject matter hereof, and all prior agreements, correspondence, discussions and understandings of the parties (whether oral or written) are merged herein and superseded hereby. It being the intention of the parties hereto that this Agreement and the instruments and agreements contemplated hereby shall serve as the complete and exclusive statement of the terms of their agreement together. No amendment, waiver or modification hereto or hereunder shall be valid unless in writing signed by an authorized signatory of the party or parties to be affected thereby.

15. Assignment. This Agreement and the rights hereunder shall not be assignable or transferable (i) by Matrix without the prior written consent of IECOMM, except to an affiliate of Matrix or to a financial institution in connection with a financing related to this Agreement, or (ii) by IECOMM without the prior written consent of Matrix. The duties and obligations of a party hereunder shall not be delegable without the prior written consent of the other parties hereto.

16. Binding Effect. This Agreement shall be binding upon the parties hereto and their respective successors and permitted assigns.

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17. **Section Headings.** The headings in this Agreement are for purposes of convenience and ease of reference only and shall not be construed to limit or otherwise effect the meaning of any part of this Agreement.

18. **Severability.** The parties agree that if any provision of this Agreement shall under any circumstances be deemed invalid or inoperative, this Agreement shall be construed with the invalid or inoperative provision deleted, and the rights and obligations of the parties shall be construed and enforced accordingly.

19. **Applicable Law.** All complaints and interpretation of this Agreement and all questions arising in connection herewith shall be governed by and construed in accordance with the internal laws of the State of Oklahoma without regard to the principles of conflicts of laws thereunder.

20. **Counterparts.** This Agreement may be executed in one or more original or facsimile counterparts, all of which shall be considered but one and the same agreement, and shall become effective when one or more such counterparts have been executed by each of the parties and delivered to the other parties.

21. **Use of Terms.** In this Agreement, (i) the words "hereof," "herein," "hereto," "hereunder" and words of similar import mean and refer to this Agreement as a whole and not merely to the specific section or clause in which the respective word appears. (ii) words importing gender include the other genders as appropriate and (iii) any terms defined in this Agreement may, unless the context otherwise requires, be used in the singular or the plural depending on the reference.

22. **Facsimile Copy.** This Agreement may be executed in facsimile copy and shall have the same binding effect as an original.

IN WITNESS WHEREOF, the parties have executed this Agreement as of the day, month and year first above written.

International Exchange Communications, Inc.

By: _____

Printed: _____

Title: _____

Date: _____

MATRIX TELECOM, INC.

By: _____

William C. Brinkley
Senior Vice President

Date: _____

12-28-00

P.L.

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Exhibit A - Assets

1. All of IECOMM's retail customer base, including but not limited to the following:
approximately 30,000 customer accounts receiving 1+, calling card, or toll-free services.
2. All data, databases, documentation, customer records, and user call records for the past two years, credit information, correspondence, contracts, letters of authority, customer subscription contracts, informal and formal Public Utility and FCC complaints, etc., related to the Assets described herein.
3. All accounts receivable, notes receivable, customer receivables or other sums due to IECOMM for Direct billed service relating to the Assets prior to the Effective Date. Said amounts shall include Direct billed traffic remaining unbilled to the end-user on the Effective date in accordance with past billing practices.
4. Carrier Identification Code ___ 0697, 0025, 5734, 5484, 6318 & 6822
and corresponding ACNA(DCH for all 6 CIC's)
5. All of IECOMM's used or reserved toll-free telephone numbers, including but not limited to those set forth in Exhibit B.
6. Perpetual right to use IECOMM's name, logo, trade or service marks, etc., which have been associated with the customer base.
7. Any assets of the type described above which are acquired after the date hereof.
8. All IECOMM lockboxes and bank accounts used to receive customer and LEC payments. Each account will have a reconciled zero balance except for all deposits and receipts from and after the Effective Date.

—<

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Exhibit B - Toll-Free Phone Numbers

800 966-6106
800 966-6166
800 589-6812
888 455-5461
800 322-0964
888 387-7722

800 322-0960
800 360-1289
800 253-1289
800 232-9732
800 810-9750

CLARIFICATION

The undersigned parties to the Management Services Agreement dated ("MSA") January 5, 2001, which was entered into on or about December 29, 2000, hereby acknowledge certain clarifications to the MSA in order to resolve certain disputes that have arisen regarding the interpretation of the MSA.

As to the provision in Paragraph 8 of the MSA which provides "Matrix shall pay to IEComm eighty percent (80%) of all payments received for Direct billings ^{generated} prior to the Effective Date, net of

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bad debts, credits and refunds," the

undersigned parties acknowledge that

~~all~~ all payments received for Direct

billings ^{generated} (prior to the Effective Date

means all payments received ^{by Matny} on ~~the~~ ^{following} Effective Date

account of telephone calls made

prior to the Effective Date ~~through such calls~~

~~through such calls irrespective of~~

~~when such calls are~~ by ~~(retail?)~~

customers that are billed directly

(i.e., not through a local exchange

carrier), regardless of whether

such calls are billed to such

customers after the Effective Date.

(~~EEC~~), ~~not subject to LEC billed to the~~

3

Notwithstanding the foregoing,

In connection with this clarification,
the parties further acknowledge

that with respect to payments for
telephone calls made prior to the

Effective Date, ~~for~~ for which bills

had not been transmitted to customers

as of the Effective Date, ~~Matrix shall be obligated to remit~~

Matrix shall be obligated to remit
to IECOMM only 50% ^{of the aggregate amount} of such

payments. ~~As to the aggregate amount of~~ As to

payments received on account

of ~~some or portion of~~ ~~some or portion of~~ telephone calls made

prior to the Effective Date for which

bills had been transmitted to customers

4

as of the Effective Date, Matrix

shall be obligated to remit
to IEComm 80% ^{of the aggregate amount} of such payments.

Further, the undersigned ~~parties~~ parties

acknowledge that the exclusive

forum for resolution of any dispute

arising from ~~the~~ the MSA or this

Clarification shall be the United

States Bankruptcy Court for the

Northern District of California

subject to the provisions of paragraph 19 of
the MSA.

↑
"Applicable Law"

PROOF OF SERVICE

I declare that I am over eighteen years of age and that I am not a party to this action. My business address is 1880 Century Park East, Suite 200, Los Angeles, California 90067.

On October 18, 2002, I served a true and correct copy of the following document on the parties indicated on the attached list by using the method indicated below:

NOTICE OF MOTION AND MOTION BY INTERNATIONAL EXCHANGE COMMUNICATIONS, INC. FOR APPROVAL OF SETTLEMENT AGREEMENT WITH MATRIX TELECOM, INC. AND SALE OF ASSETS PURSUANT THERETO; DECLARATION OF DAVID M. DAVIS IN SUPPORT THEREOF

- (X) **By First-Class Mail:** I am readily familiar with the business practice for collection and processing of correspondence for mailing with the United States Postal Service. I caused the documents listed above to be deposited, in sealed envelopes, addressed as set forth on the attached list with postage thereon fully prepaid, with the United States Postal Service, at Los Angeles, California, on the same day this declaration was executed.
- () **By Personal Service:** I caused such envelopes to be delivered by hand to the addresses indicated on the attached list.
- () **By Overnight Courier:** I caused the above-referenced document(s) to be delivered by overnight courier service for delivery as indicated on the attached list.
- () **By Facsimile Machine:** I personally caused the above-referenced document(s) to be transmitted to the person(s) and at the telecopy number(s) indicated on the attached list. I confirmed that the intended recipient received the transmission either:
- () **By reviewing the transmission report(s) that the facsimile machine generated; or**
- () **By contacting the recipient(s) by telephone at the telephone number(s) number indicated on the attached list.**

I declare that I am employed in the office of a member of the bar of this Court at whose direction the service was made and that this declaration was executed at Los Angeles, California on October 18, 2002.

I declare under penalty of perjury that the foregoing is true and correct.


RACHEL JOHANNES

UCC Party
IBM Credit Corporation
1133 Westchester Ave.
White Plains, NY 10604

UCC Party
MCI WorldCom Network Services, Inc.
Collateral Agent for Itself, WorldCom, Inc.
And Its Wholly-Owned Subsidiaries
6929 N. Lakewood Mail Drop 5-2-510
Tulsa, OK 74117

UCC Party
Wells Fargo Financial Leasing, Inc.
Attn: Collection Department
604 Locus, 14th Floor
Des Moines, IA 50309

UCC Party
General Electric Capital Corporation
2400 E. Katella Ave., Suite 800
Anaheim, CA 92806

UCC Party
Norwest Financial Leasing, Inc.
1700 Iowa Ave., Suite 240
Riverside, CA 92507

UCC Party
TTXC Division of Dynatech, LLC
20410 Observation Dr.
Germantown, MD 20876

Depository Institution
Nations Funds
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PO Box 37032
Unite #9011
San Francisco, CA 94137-9011

Depository Institution
LaSalle Bank, N.A.
Attn: Scott Schultz, Vice President
135 South LaSalle Street
Chicago, IL 60603

Northern Telecom, Inc.
Attn: Senior Manager and
Contracts Mgmt. & Negotiations
2350 Lakeside Blvd.
Mail Stop (07J/02/A60)
Richardson, TX 75082-4399

Northern Telecom, Inc. (Address Change)
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5409 Windward Parkway
Mail Stop 46D03A30
Alpharetta, GA 30004

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Special Notice
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Landlord
Bay Park Plaza Assoc. LP
Attn: Property Management
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Attny for Kuehne & Nagel, Inc.
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MetroGroup
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Special Notice / Sprint
Attn: Marti Schach, Marketing & Sales
Mail Stop: KSOPHA0216-2B618
6480 Sprint Parkway
Overland Park, KS 66251-1666

Missouri State, Dept. of Revenue
Missouri Department of Revenue
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ATTACHMENT B

ASSETS TO BE TRANSFERRED

Exhibit A - Assets

1. All of IECOMM's retail customer base, including but not limited to the following:
approximately 30,000 customer accounts receiving 1+, calling card, or toll-free services.
2. All data, databases, documentation, customer records, end-user call records for the past two years, credit information, correspondence, contracts, letters of authority, customer subscription contracts, informal and formal Public Utility and FCC complaints, etc., related to the Assets described herein.
3. All accounts receivable, notes receivable, customer receivables or other sums due to IECOMM for Direct billed service relating to the Assets prior to the Effective Date. Said amounts shall include Direct billed traffic remaining unbilled to the end-user on the Effective date in accordance with past billing practices.
4. Carrier Identification Code ____0597, 0025, 5734, 5464, 5318 & 6822
and corresponding ACNA(IXH for all 6 CIC's)
5. All of IECOMM's used or reserved toll-free telephone numbers, including but not limited to those set forth in Exhibit B.
6. Perpetual right to use IECOMM's name, logos, trade or service marks, etc., which have been associated with the customer base.
7. Any assets of the type described above which are acquired after the date hereof.
8. All IECOMM lockboxes and bank accounts used to receive customer and LEC payments. Each account will have a reconciled zero balance except for all deposits and receipts from and after the Effective Date.

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Exhibit B - Toll-Free Phone Numbers

800 966-6106

800 966-6166

800 589-6812

888 455-5461

800 322-0964

888 387-7722

800 322-0960

800 360-1289

800 253-1289

800 232-9732

800 810-9750

ATTACHMENT C
CUSTOMER NOTIFICATION

NOTICE OF TRANSFER OF LONG DISTANCE TELEPHONE SERVICE

[Date]

Dear Customer:

International Exchange Communications, Inc. ("IECom") currently provides your long distance service. Due to circumstances related to IECom's bankruptcy, Matrix Telecom, Inc. ("Matrix") has agreed to acquire the IECom name and will shortly begin providing long distance service to IECom customers. This transfer will ensure that customers of IECom continue to enjoy uninterrupted long distance service. This transfer will not affect your long distance rates nor the terms and conditions of your service. In fact, your long distance bill will continue to list IECom as your long distance provider.

The bankruptcy court has ordered this transition to occur as soon as possible after [INSERT EFFECTIVE DATE OF BANKRUPTCY ORDER]. Unless you have begun using a long distance provider other than IECom prior to this date, Matrix will transition your current long distance service to Matrix. The change to Matrix will not impact your local carrier selection.

The low rates you currently pay for long distance as well as your terms and conditions of service will remain unchanged. If, in the future, there are any changes to your rates or the terms and conditions of your service, they will be indicated on Matrix's website at www.matrixtelecom.com.

You have the right to subscribe to long distance service from any service provider you wish. This decision is entirely up to you, and you may choose to switch to another carrier either before or after this change occurs. Matrix values your continued business and will gladly respond to any questions or complaints you may have about IECom's service. When your service is transitioned to Matrix, you will not be billed a carrier change fee, however, selecting a carrier other than Matrix may result in such a charge being imposed by that carrier.

If you have arranged a preferred carrier freeze through your local carrier on the service(s) involved in this transfer, the freeze will be removed in order to transition your service to Matrix. After the transfer, you must contact your local carrier if you want to re-establish a preferred carrier freeze.

If you have any questions regarding this notice, please contact Matrix at [INSERT APPLICABLE TOLL FREE CUSTOMER SERVICE NUMBER].

Sincerely,